



DRAFT BUDGET

2014/15- 2016/17

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GLOSSARY OF TERMS AND ACRONYMS

Acronym

Budget Steering Committee : A strategic planning forum aimed at identifying key spending priorities for the municipality

Budget related policies : Policies of a municipality that affect or are affected by the budget.

CAPEX: Capital expenditure, spending on municipal assets such as land, buildings, roads, etc.

CPIX: Consumer price index excluding interest on mortgages

CPI: Consumer price index

GAAP: Generally Accepted Accounting Practice

COGTA: Cooperative Governance and Traditional Affairs

GRAP: Generally Recognised Accounting Practice

FBS: Free basic services

IDP: Integrated Development Plan, a strategic document detailing the municipality's medium term plan for development.

IGR: Intergovernmental relations

ICT: Information and communication technology

LED: Local economic development

MFMA: Municipal Financial Management Framework, Act 56 of 2003, legislation providing a framework for financial management in local government.

MIG: Municipal Infrastructure Grant

MSA: Municipal Systems Act, Act 32 of 2000.

MTB: Medium Term Budget, a three year financial plan of a municipality.

MTBPS: Medium Term Budget Policy Statement

NT: National Treasury of South Africa

OPEX: Operating expenditure, spending on the day to day operational activities such as salaries and wages, repairs and maintenance, general expenses.

SALGA: South African Local Government Association

SDBIP: Service Delivery and Budget Implementation Plan, a detailed plan containing quarterly performance targets and monthly budget estimates.

LIST OF VOTES

- ✚ Mayoral Executive
- ✚ Council General
- ✚ Office of the Municipal Manager
- ✚ Budget and Treasury
- ✚ Corporate Services
- ✚ Licensing and Traffic
- ✚ Local Economic Development and Planning
- ✚ Sports and Culture
- ✚ Public Works
- ✚ Cemeteries
- ✚ Community hall and centres
- ✚ Parks and Recreation
- ✚ Library
- ✚ Town Hall and Offices
- ✚ Housing
- ✚ Sanitation
- ✚ Refuse Removal
- ✚ Electricity
- ✚ Water
- ✚ PMU ñ Project Management Unit

PURPOSE

The main strategic outcomes of the budget are to ensure:

- ✚ Modernizing financial management and improving accountability.
- ✚ Compilation of three year budgets.
- ✚ Deepening and improving the budget preparation process, by involving the political leadership and community.
- ✚ Ensuring that the IDP and Budget are linked, and that the IDP takes account of budgetary resources, and contain proper capital and operational plans.
- ✚ Improving the in-year implementation of the budget.
- ✚ Improving the audit and performance reporting after the financial year has ended.

The purpose of this document is to submit draft 2014/15 medium-term budget (MTB) for consideration by Council and community consultation of on the proposed tariff increases, projects and service delivery programmes.

The budget was compiled within the framework of the MFMA, Circulars No 70 & 72 the National Treasury and the Municipal Budget Regulations.

Those Circulars provides instructions, guidance and information on crucial issues that municipalities need to consider when preparing their 2014-15 budgets.

PART 1



CHAPTER1: EXECUTIVE SUMMARY

CHAPTER1: EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the local wide financial plan is essential and critical to ensure that the Local remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Local business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and "nice to have" items.

The municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 55, 58, 59, 67, 68, 70 and 72 were used to guide the compilation of the draft 2014/15 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- Ç The ongoing difficulties in the national and local economy;
- Ç Aging and poorly maintained water & sanitation, roads and electricity bulk infrastructure;
- Ç The need to re-prioritize projects and expenditure within the existing resource structure given the cash flow strangulations and the cash position of the municipality;
- Ç The need to fill critical vacancies and to attract skilled labour through competitive remuneration and conducive working environment;
- Ç Affordability of capital projects – the municipal allocation relating to infrastructure grant associated with capital investment is limited (Municipal Infrastructure Grant), thus limit the functions of the Local in relation to bulk infrastructure investment for the budget year 2014/15 MTREF and beyond; and
- Ç Availability and/or affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- Ç The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget;
- Ç Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Ç There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national

- and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Ç Guidelines issued by the National Treasury on the projected inflation adjustments upon which the budget is based.

CHAPTER 2: THE BUDGET

THE BUDGET

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2014/15 MTREF

	Original Budget (R000)	Adjustment Budget (R000)	Budget 2014/15 (R000)	Budget 2015/16 (R000)	Budget 2016/17 (R000)
Total Operating Revenue	117 680	117 575	133 424	136 755	144 461
Total Operating Expenditure	109 362	105 837	121 201	122 982	128 652
Surplus/(Deficit) for the year	8 318	11 738	12 223	13 773	15 809
Total Capital Expenditure	29 524	28 427	27 215	30 333	31 181

Total operating revenue amounts to R133 million and has increased by 13% per cent or R15.7 million for the 2014/15 financial year when compared to the 2013/14 original budget. For the two outer years, operational revenue will increase by 5,9 and 5,5 per cent respectively. Increase in the budgeted operating revenue is due to the following;

- Increase in electricity
- Increase in property rates although the tariffs for the 2014/15 financial year were not increased. The increase imanate from the implementation of the new valuation roll which saw an increase in the value of properties.
- Revenue from water, sanitation and refuse removal will increase steadily with an inflation rate over the MTREF period.

Total operating expenditure for the 2014/15 financial year has been appropriated at R121.2 million and translates into a budgeted surplus of R12.2 million when compared to the 2013/14 original budget, operational expenditure has decreased by 16% per cent in the 2014/15 budget and continues to grow by 5.9 and 5.5 per cent for the two outer years of the MTREF respectively. The reduction was prompted by austerity measures implemented by Council in an attempt to improve on the financial viability of the municipality. Bulk of the budget has been allocated to bulk purchases, repairs and maintenance, general expenses and salaries.

The operating surplus for the two outer years steadily increases to R13.7 million and then to R15. 8 million. These surpluses are mainly utilised to fund capital expenditure in order to enhance infrastructure development in the municipal area. This in turn, enhance service delivery.

The capital budget for 2014/15 is R27.2million. The most of the capital budget will be funded from grants (Municipal Infrastructure Grant and Provincial Infrastructure Grant) and own source revenue realized from savings in the operating revenue over MTREF.

Operating Revenue Framework

For Kgetlengrivier Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of every municipality. The implementation of the Revenue Enhancement Strategy is fundamental to ensuring that the municipality improves its financial viability. The reality is that we are faced with development backlogs and poverty, hence an excessive number of indigents in the municipal area.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- Ç National Treasury's guidelines and macroeconomic policy;
- Ç Growth in the and continued economic development;
- Ç Efficient revenue management;
- Ç Customer Survey and Data Purification Project;
- Ç Continuous interim valuations of the properties
- Ç Implementation of Debt Collection By-Laws

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Description R thousand	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source							
Property rates	4 858		4 858	4 858	5 130	5 433	5 731
Property rates - penalties & collection charges	-		-	-	-	-	-
Service charges - electricity revenue	32 004		31 146	31 146	32 781	34 818	36 733
Service charges - water revenue	7 888		8 891	8 891	8 037	8 536	9 006
Service charges - sanitation revenue	3 442		3 433	3 433	3 626	3 851	4 063
Service charges - refuse revenue	1 727		1 715	1 715	1 811	1 924	2 029
Service charges – other	7 575		7 547	7 547	377	399	421
Rental of facilities and equipment	35		22	22	39	41	43
Interest earned - external investments	1 774		1 774	1 774	1 873	1 984	2 093
Interest earned - outstanding debtors	4 435		4 435	4 435	4 684	4 960	5 233
Dividends received			-	-	-	-	-
Fines	3 675		3 675	3 675	3 881	4 110	4 336
Licences and permits			-	-	3 570	3 780	3 988
Agency services			-	-	-	-	-
Transfers recognised - operational	50 066		46 026	46 026	62 975	62 003	65 598
Other revenue	203		4 263	4 263	4 641	4 915	5 185
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	117 680		117 785	117 785	133 424	136 755	144 461

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. Operating grants and transfers forms a significant percentage of the revenue basket for the municipality. Operating grants and transfers totals R62.9 million (which represents 47% of the operating budget) in the 2014/15 financial year

Electricity is the major source of own income at 25% (R32.7 million in the 2014/15 financial year). The increase in electricity is based on a NERSA approved percentage increase of 7.39%. There seems over recovery on the collection of revenue for electricity. This is due to a system programmed order of payment, which allocates the payment of electricity first instead of other services.

It is anticipated that rate of revenue collected is at an average of 62%. This figure is anticipated to increase to 75% in the 2014/15 financial year. This is attributable to increased implementation of the credit control measures.

Operating Transfers and Grants

LOCAL GOVERNMENT MTEF ALLOCATIONS: 2013/14 - 2015/16

B NW374 Kgetlengrivier	2013/14 R thousands	2014/15 R thousands	2015/16 R thousands
<u>DIRECT TRANSFERS FROM NATIONAL DEPARTMENTS</u>			
Local Government Equitable Share (Schedule 3)	46 026	50 590	58 162
General Fuel Levy Sharing with Metropolitan Municipalities			
Conditional Grants from National Departments	24 623	25 462	26 893
of which			
<u>Infrastructure Grants</u> (Schedule 5)	21 083	22 728	23 976
Cooperative Governance	21 083	22 728	23 976
Municipal Infrastructure Grant	21 083	22 728	23 976
<u>Recurrent Grants</u> (Schedule 5)	2 540	2 734	2 917
Cooperative Governance	890	934	967
Municipal Systems Improvement Grant	890	934	967
National Treasury	1 650	1 800	1 950
Local Government Financial Management Grant	1 650	1 800	1 950
Water Affairs	-	-	-
Water Services Operating Subsidy Grant	-	-	-
<u>Incentive Grants</u>	1 000	-	-
Public Works	1 000	-	-
EPWP Incentive Grant for Municipalities	1 000	-	-
TOTAL: DIRECT TRANSFERS FROM NATIONAL DEPARTMENTS	70 649	76 052	85 055

Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- Ç Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Ç Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Ç The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Ç Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Ç Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

Table 2 Summary of operating expenditure by type

Description R thousand	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Expenditure By Type</u>							
Employee related costs	38 876	1 856	40 732	40 732	37 396	39 602	41 780
Remuneration of councillors	2 948	1 333	4 281	4 281	5 306	5 619	5 928
Debt impairment	4 224	–	4 224	4 224	3 952	4 185	4 415
Depreciation & asset impairment	1 753	(121)	1 632	1 632	1 724	1 720	1 720
Finance charges	335	150	485	485	512	543	572
Bulk purchases	23 127	–	23 127	23 127	24 536	24 739	24 739
Other materials	1 179	–	1 179	1 179	48	51	53
Contracted services	5 950	–	5 950	5 950	4 577	4 568	4 568
Transfers and grants	–	–	–	–	–	–	–
Other expenditure	30 970	(6 743)	24 226	24 226	43 150	41 954	44 874
Loss on disposal of PPE					–	–	–
Total Expenditure	109 362	(3 525)	105 837	105 837	121 201	122 982	128 652

The budgeted allocation for employee related costs for the 2014/15 financial year totals R37.4 million representing 30.8% thereof, which is less than 35 per cent of the total operating expenditure in line with the relevant guidelines. Based on the National treasury Guidelines, salary increases have been factored into this budget at a percentage increase of 6.79 per cent for the 2014/15 financial year. Key vacant positions have also been included in the employee costs.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget. Notwithstanding, the above facts the Councillors projected

increase has been estimated at 5 per cent in the 2014/2015. It is imperative to note that the allocation received for the funding of Councillors remuneration is inadequate to cover the Councillors' Upper limits. Hence the municipality is subsidising the remuneration of Councillors with an estimated R700 000 for the 2014/15 financial year.

Due to the increasing legislative compliance requirement contracted services has been identified as one component that is increasing at cost for the Municipality. As part of the compilation of the 2014/15 MTREF this group of expenditure was critically evaluated and Head of Department had to motivate for this service to be included in the budget. In the 2014/15 financial year, this group of expenditure totals R5, 7 million and has escalated by just 0.07 per cent. For the two outer years growth has been limited to 5 and 5 per cent. The costs of formalization of townships have also been included in the professional services for the 2014/15 budget.

Bulk purchases of electricity are budgeted at R24.5 million (which represents 19% of the operating budget) in the 2013-14 financial year.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 6.2 per cent for 2014/15 and curbed at 5.9% and 5,5% per cent for the two outer years, indicating that significant cost savings have been already realised.

PART 2

CHAPTER 3: OVERVIEW OF THE ANNUAL BUDGET PROCESS

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In terms of the Section 24 of the MFMA, Council must at least 30 days before the start of the financial year consider approval of the annual budget. The MFMA aims to put in place a sound financial framework and sets out timelines for budget preparations and approval.

IDP consultation and public hearings were held in all 6 wards of Kgetlengrivier Municipality between February and March 2013. Draft MTB estimates for the 2012-13 were determined and issued to all departments to prepare their draft budgets.

The draft MTB will tabled at a Council meeting to be held on 28 March 2013.

The table below outlines the timelines for the overall process of Budget, Tariffs and IDP.

Budget Process	Timeframe
IDP & Budget Process Schedule Preparation	July 2013
Table Process Schedule in Council	August 2013
Steering Committee Establishment	August 2013
First External Consultation Process ñ Community and Sector Departments (Informal)	September to October 2013
Issuing of final indicatives by Budget Office	January 2014
Submission of final draft tariffs, budgets and inputs to Budget Office	February 2014
Presentation of draft IDP, budget, tariffs, reviewed policies and reviewed IDP to Finance Portfolio Committee	March 2014
Tabling of the draft budget, tariffs and IDP at Council	March 2014
Public participation on the tabled budget, tariffs and IDP	April to May 2014
Approval of final IDP and Budget by Finance Portfolio Committee	May 2014
Council approval of final Budget and IDP	May 2014
Approval of Business Plans, SDBIP and Section 57 Managers performance agreements	June 2014
Tariffs and by-laws promulgated in Provincial Government Gazette	June 2014

CHAPTER 4:

OVERVIEW OF ALIGNMENT OF THE ANNUAL BUDGET

CHAPTER 4: OVERVIEW OF ALIGNMENT OF THE ANNUAL BUDGET WITH THE IDP

The municipality's IDP contains the medium-term focus areas for development. These focus areas set the agenda for resource planning and allocation over the medium term.

Council has set the following priorities:

- + A safe, clean and green municipality;
- + A well-governed and managed municipality;
- + Housing and services; and
- + Economic growth and job creation.
- + Deliver more and better services in a caring and efficient manner;
- + Hold political office bearers and public servants accountable;
- + Shift resources to new priorities;
- + Move from debate to effective implementation and decisive action; and
- + Work in partnership with communities, labour and business to achieve our shared objectives.

The 2014/5 budget continues to address the following IDP interventions:

Local Economic Development

- + A budget of **R 2,8 million** from EPWP and own funding has been allocated for L.E.D projects and SMME development and career exhibition expo have also been planned.
- + In the 2014/15 financial year, Kgetlengrivier Municipality intends to:
 - + Resuscitate L.E.D projects that were previously initiated.
- + Encourage small businesses, women and youth to form cooperatives.
- + Implement its LED Strategy effectively in the 2014/15 financial years, through initiating ward based projects throughout the Municipality.
- + Exploit all possibilities to source funds from Development Finance Institutions such as DTI, NDA, Mines, Donors, etc and big businesses on behalf of promising SMMEs in the Municipality.
- + Build enough institutional capacity to establish effective Tourism, Agriculture and LED forums.
- + Insist on encouraging the Municipality to register all its infrastructure development projects with EPWP from which general public can participate, learn while also building enough capacity to create new entrepreneurs.
- + Request assistance from institutions such as CIDB, NHBRC and SEDA to train emerging contractors in construction and facilitate their accreditation.

- ✚ Develop an Investment Incentive Scheme/Policy so as to attract new investment in the Municipality.
- ✚ Land availability for NGOs and Churches
- ✚ Paving brick making plant
- ✚ Letsema project will also continue to improve service delivery and job creation thus alleviating poverty.

Infrastructure and Service delivery

This KPA is performed through Technical Services and Community Services Directorates. The municipality renders the following basic services to the residents in the urban areas; Water Provision; Sewerage Disposal; Refuse Removal and Electricity Provision. Other services rendered by the municipality to residents, include; Streets and Storm Water, Parks, Sports and Recreational Facilities; Cemeteries, Libraries, Primary Health Care, Traffic Control, Housing and Town Planning.

Households with access to basic services in Kgetlengrivier as compared to the North West Province (ranking 7 nationally) are depicted in the table below;

	North West	Kgetlengrivier	Backlog
Electricity	78,3%	63,5%	36,5%
Piped water	89,9%	80,8%	19,2%
Full or intermediate sanitation	53,4%	87,5%	12,5%
Refuse removal Services	48,81%	47,5%	52,5%

Table 5 Summary of Capital expenditure b vote

Vote Description R thousand	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure – Vote							
Multi-year expenditure to be appropriated							
Vote 1 - Governance and Administration	-	-	-	-	-	-	-
Vote 2 - Corporate Services	-	-	-	-	-	-	-
Vote 3 - Finance and Administration	-	-	-	-	-	-	-
Vote 4 - Public Safety	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development	-	-	-	-	-	-	-
Vote 6 - Community and Social Services	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation	-	-	-	-	-	-	-
Vote 8 – Housing	-	-	-	-	-	-	-
Vote 9 - Environmental Management	-	-	-	-	-	-	-
Vote 10 - Roads and Transport	13 514	-	13 514	-	-	-	-
Vote 11 – Electricity	-	-	-	-	-	-	-
Vote 12 - Waste Water Management	-	-	-	-	-	-	-
Vote 13 – Water	8 500	-	8 500	-	-	-	-
Vote 14 - waste Management	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	22 014	-	22 014	-	-	-	-
Single-year expenditure to be appropriated							
Vote 1 - Governance and Administration	-	-	-	-	2 500	4 000	5 000
Vote 2 - Corporate Services	160	-	160	-	1 136	4 000	4 000
Vote 3 - Finance and Administration	750	-	750	-	-	-	-
Vote 4 - Public Safety	1 000	-	1 000	-	-	-	-
Vote 5 - Planning and Economic Development	-	-	-	-	-	-	-
Vote 6 - Community and Social Services	1 000	-	1 000	-	-	-	-
Vote 7 - Sports and Recreation	-	-	-	-	-	-	-
Vote 8 – Housing	-	-	-	-	-	-	-
Vote 9 - Environmental Management	-	-	-	-	-	-	-
Vote 10 - Roads and Transport	-	-	-	-	23 579	22 333	23 181
Vote 11 – Electricity	2 500	-	2 500	-	-	-	-
Vote 12 - Waste Water Management	2 100	-	2 100	-	-	-	-
Vote 13 – Water	-	-	-	-	-	-	-
Vote 14 - waste Management	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	7 510	-	7 510	-	27 215	30 333	32 181
Total Capital Expenditure – Vote	29 524	-	29 524	-	27 215	30 333	32 181
Capital Expenditure – Standard							
Governance and administration	910	(340)	570	-	3 636	8 000	8 000
Executive and council	-	-	-	-	2 500	4 000	4 000
Budget and treasury office	750	(350)	400	-	-	-	-
Corporate services	160	10	170	-	1 136	4 000	4 000
Community and public safety	2 000	-	2 000	-	-	-	-

Community and social services	1 000	1 000	2 000				
Sport and recreation		-	-				
Public safety	1 000	(1 000)	-				
Housing		-	-				
Health		-	-				
Economic and environmental services	13 514	(757)	13 514	-	23 579	22 333	23 181
Planning and development		-	-				
Road transport	13 514	(757)	13 514		23 579	22 333	23 181
Environmental protection		-	-				
Trading services	13 100	-	13 100	-	-	-	-
Electricity	2 500	-	2 500				
Water	8 500	-	8 500				
Waste water management	2 100	-	2 100				
Waste management		-	-				
Other		-	-				
Total Capital Expenditure – Standard	29 524	(1 097)	29 184	-	27 215	30 333	31 181
Funded by:							
National Government	21 083	-	21 083		21 579	22 333	23 181
Provincial Government	-	-	-				
District Municipality		-	-				
Other transfers and grants		-	-				
Transfers recognised – capital	21 083	-	21 083	-	21 579	22 333	23 181
Public contributions & donations							
Borrowing							
Internally generated funds	7 751	350	8 101		5 636	8 000	9 000
Total Capital Funding	28 834	350	29 184	-	27 215	30 333	32 181

Kgetlengrivier Municipality Water, Sanitation, Electricity, Cemeteries and Roads **Infrastructure Budget** for 2014/15 amounts to **R27.2**, then increases to R30.3 million and decreases to R32.1 million the 2015-16 and 2016-17 respectively.

Water and sanitation infrastructure projects are funded through external funding initiatives. The Department of Water Affairs has approved funding totaling R38 million over the MTREF period in kind to implement the Regional Bulk Infrastructure Projects. A further R9.3 million was allocated to the Municipality through ACIP funding program to implement the water conservation and water demand management projects in the municipal area.

The implementation of upgrading of the Waste Water Treatment Works project is also in the final stages of the appraisal processes of the Department of Water Affairs.

A similar model is to be followed in as far as Electricity projects are concerned. The Municipality is in the process of finalizing the compilation of business plans in order to source funding for implementation of Electricity infrastructure projects.

CHAPTER 5: MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Refer to the IDP and Service Delivery and Budget Implementation Plan for measurable performance objectives

CHAPTER 6: OVERVIEW OF BUDGET-RELATED POLICIES

Budgeting is central to the process of prioritising for service delivery and the management of the functions of Council.

The municipality's budgeting process is guided and governed by relevant legislation and budget related policies.

The following are the key policies that are being reviewed during the 2013-14 budget process;

-  Credit control and debt collection policy
-  Indigent Policy
-  Tariffs Policy
-  Property rates policy and By law
-  Bad debts write off policy
-  Budget control and virement policy

CHAPTER 7: TARIFF LISTS

PROPOSED TARIFF LIST FOR PROPERTY RATES AND SERVICE CHARGES 2013-14 FINANCIAL YEARS

The tariffs summarised for the financial year **1 July 2014 to 30 June 2015** are as follows:

1. PROPERTY RATES		
CATEGORY	Rate as approved by Council	Exemptions, Reductions & Rebates
Residential	R0,00528 (i.e 0,53 cents)	A total rebate of R17 000 will be granted on the value of the property (R15 000 impermissible according to the Municipal Property Rates Act plus a further R2 000 according to the municipality's Property Rates Policy)
Business, Commercial and Industrial	R0,0127 (i.e 1,27 cents)	A maximum of 10% reduction will be given upon submission and approval of the application.
Agricultural	R0,00132 (i.e 0,130 cents)	75% of the market value on agriculture property will be phased in as per requirements of MPRA.
State-Owned	R0,0127 (i.e. 1,27 cents)	
Public Service Infrastructure	R0,001267(i.e 0,1267 cents)	75% of public service infrastructure property will be phased in as per requirements of MPRA
Undeveloped residential sites	R0,0074 (i.e. 0,74 cents)	

Undeveloped business sites	R0,0158 (i.e. 1,58 cents)	
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EXEMPTIONS, REDUCTIONS AND REBATES:

Exemptions, Reduction and Rebates will be given to the different categories of properties and owners as follows:

Different categories of properties

Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying rates. **For the 2014/2015 financial year the maximum reduction is determined as R17 000.** The impermissible rates of **R15 000** contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the amount referred to above as annually determined by the municipality.

The **remaining R2 000** is an important part of the council's indigent policy and is aimed primarily at alleviating poverty.

Indigent owners

Owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality, regardless of the value of the property, will receive a 100% rebate from payment of property tax.

Child headed families

Families headed by children with monthly income not exceeding **R3 000** will receive a **100%** rebate for paying property tax.

Retired and Disabled Persons Rate Rebate

Retired and Disabled Persons, not registered as indigents, qualify for special rebates according to monthly household income as follows;

- **R0 to R 2400** per month - **100%** rebate
- **R 2401 to R4 000** per month - **40%** rebate
- **R4 001 to R5 500** per month - **15%** rebate
- **R5 501 -** - **No** rebate

Business, commercial and industrial properties

The municipality will grant rebates to ratable enterprises that promote local, social and economic development in its area of jurisdiction. Maximum rebate for the 2014-15 financial year, has been determined at **10%**.

Public Benefit Organizations (PBO's)

Taking into account the effects of rates on PBOs performing a specific public benefit activity and if registered in terms of the Income Tax Act, 1962 (No 58 of 1962) for tax reduction because of those activities, Public Benefit Organizations may apply for the exemption of property rates.

Agricultural property rebate

The municipality will apply the standard ratio for agricultural properties as promulgated by the Minister **1:0.25 (75% rebate** on the tariff for residential properties).

Rebates based on the extent of municipal services provided to agricultural properties will be as follows;

- a. **7.5%** rebate, if there are no municipal roads next to the property
- b. **7.5%** rebate, if there is no municipal sewerage to the property
- c. **7.5%** rebate, if there is no municipal electricity
- d. **20%** rebate, if water is not supplied by the municipality
- e. **7.5%** rebate, if there is no refuse removal that is provided by the municipal

2. ELECTRICITY

CATEGORY	IBT	2013/14 NERSA APPROVED	PROPOSED 2014/15	% INCREASE
<u>DOMESTIC TARIFFS</u>				
Residential Prepaid: Lifeline				
Energy Charge (kwh)	Block 1 (0-50Kwh)	0,7062	0,75838818	7,39%
	Block 2 (51-350kwh)	0,9095	0,97671205	7,39%
	Block 3 (351-600kwh)	1,0914	1,17205446	7,39%

	Block 4 (>600kwh)	1,1877	1,27547103	7,39%
Residential Conventional: Lifeline				
Energy Charge (kwh) Basic Charge	Block 1 (0-50Kwh)	0,7062	0,75838818	7,39%
	Block 2 (51-350kwh)	0,9095	0,97671205	7,39%
	Block 3 (351-600kwh)	1,0914	1,17205446	7,39%
	Block 4 (>600kwh)	1,1877	1,27547103	7,39%
		134,62	144,568418	7,39%
<u>COMMERCIAL TARIFFS</u>				
Commercial Single Phase				
Basic Charge (R/m)		242,06	259,948234	7,39%
Energy Charge (kwh)		1,4138	1,51827982	7,39%
Government/Mine town				
Basic Charge (R/m)		269,22	289,115358	7,39%
Energy Charge (kwh)		1,1984	1,28696176	7,39%
Municipal				
Energy Charge (kwh)		1,5444	1,65853116	7,39%
<u>INDUSTRIAL TARIFFS</u>				
Industrial/Municipal				
Basic Charge (R/m)		1285,14	1380,111846	7,39%
Energy Charge (kwh)		0,891	0,9568449	7,39%
Demand Charge (R/kVA)		148,51	159,484889	7,39%

TARIFF DESCRIPTION	APPROVED 2013/14	PROPOSED 2014/15	% INCREASE
Sewer Basic: Governmental	135,601	143,601	0,059
Sewer Basic: Residential	27,139	28,740	0,059

Sewer Basic: Business	162,708	172,308	0,059
Sewer Basic: Empty Stand	32,546	34,466	0,059
Sewer Usage: Suctions Business	65,092	68,932	0,059
Sewer Basic: Per Living Unit	32,546	34,466	0,059
Sewer Basic: Hospital	2172,910	2301,112	0,059
Sewer Basic: Institutions	1627,296	1723,306	0,059
Sewer: Residential	10,866	11,507	0,059
Sewer: Business	135,601	143,601	0,059
Sewer Usage: Suctions Residential	43,423	45,985	0,059
Sewer: Bucket	27,160	28,763	0,059
Sewer: Per Living Unit	10,866	11,507	0,059
Sewer: Hospital	1355,830	1435,824	0,059
Sewer: Institutions	813,500	861,497	0,059
Sewer: Business Low water usage	27,372	28,986	0,059
SEWERAGE BUCKET - BUSINESS	38,312	40,572	0,059
Sewer Basic: Business low water usage	82,062	86,903	0,059
Sewer: USAGE - ABATTOIR & SPOORNET	542,362	574,361	0,059
Sewer: Basic Station	1084,713	1148,711	0,059
Sewer: BASIC - DAY CARE CENTRE	54,236	57,436	0,059
Sewer: Usage - DIE UITSPANNING	350,719	371,411	0,059
Sewer: Basic - DIE UITSPANNING	875,751	927,421	0,059

3. WATER

TARIFF DESCRIPTION	APPROVED 2013/14	PROPOSED 2014/15	% INCREASE
Water Basic: Residential	13,147	13,923	5,90%

Water Basic: Empty Stand	30,202	31,983	5,90%
Water Basic: Business	18,797	19,906	5,90%
Water: Departmental	2,365	2,505	5,90%
Water: Business	6,88512	7,291	5,90%
Water: Residential -6KL Free (Indigents Only)	-	0,000	0,00%
Water: Old Age Home	6,885	7,291	5,90%
Water: Consumer	6,885	7,291	5,90%

NB: The free R6kl per month per household is ONLY applicable to Indigent Households as per approved indigent register

4. REFUSE REMOVAL

TARIFF DESCRIPTION	APPROVED 2013/14	PROPOSED 2014/15	% INCREASE
Refuse: Residential	23,549	24,9381792	0,059
Refuse: Business	40,67712	43,07707008	0,059

5. MISCELLANEOUS CHARGES

NB: ALL miscellaneous charges shall increase by 5,9%

CHAPTER 8: OVERVIEW OF BUDGET ASSUMPTIONS

Budget assumptions provide a comprehensive summary of all assumption made in preparing the budget proposals. Macro and micro economic matters, internal and external factors are taken into consideration.

The 2014/15 ñ 2016/17 Medium Term Budget has been prepared within a highly volatile and highly uncertain economic environment, making the budgeting process even more challenging.

Division of Revenue Act

The Division of Revenue Bill for 2014/2015 was utilized to determine the Equitable Share, Councilors remuneration subsidy, Financial Management Grant, Municipal Systems Improvement Grant, and Municipal Infrastructure Grant and National Electrification Programme Grant.

Average Salary increases

National Treasury Guidelines stipulates that salaries for 2014/15 financial year will be increased by **6.79%**. Thus salaries, allowances and employee benefits were increased by the same percentage

Price movements on bulk purchases and other expenses

-  Bulk electricity purchases were increased by **8.06%** and municipalities have been advised to limit electricity increases between 7.39% according to Eskom guidelines as approved by NERSA.
-  Repairs and Maintenance, General expenses and Capital Expenditure were budgeted based on inputs from all departments within the municipality.

Indigent Registration and Approval

The main challenge facing Kgetlengrivier municipality is registration and verification of indigents, currently the number of applications received are currently standing at **5 400** and this figure could increase to **6 000** in the 2014/15 financial year.

Supply of Free basic Services

The increase in the number of indigents in the municipal area will mean that additional amount to be spent on indigent subsidies and write-offs.

6kl free basic water will be provided to residential consumers only.

The municipality is in the process of finalizing database of beneficiaries of free basic electricity of 50kw/h per month and negotiations with Eskom are underway.

Collection rates for main revenue sources

Collection rate of the current year budget levies is estimated at 54%, the allocation of these receipts depend on priority according to the tariff policy.

The municipality has planned to introduce credit control measures in the 2014-15 financial year and revenue collection will be increased from 54% to 75%.

CHAPTER 9: LEGISLATION COMPLIANCE STATUS

The promulgation of the Municipal Finance Management Act (The Act) has brought in proficiency and control measures to local government in terms of budgeting, monitoring and accounting on public funds. The Act has had a profound effect on local government operations that required transformation in financial discipline and planning processes.

The budget preparation for 2014/15 to 2016/17 complies with most of these key requirements.

Purpose and quality of MFMA returns

Section 71 Reports

- *Purpose – Status of municipal finance position*
- *Quality – The main challenge relates to reconciliation of accounts and this makes it difficult to provide the information timeously.*

Borrowing Monitoring Return Form

- *Purpose – Status of municipal long debt*
- *Quality – Information provided every quarter is based on confirmed balances in the previous year and payment made during the quarter.*

Budget Evaluation Checklist (Circular 10)

- *Purpose – Progress on compilation of budget*
- *Quality – Information is adequately provided as and when required.*

MFMA 12 Urgent Priorities (Circular 5)

- *Purpose – Implementation of MFMA*
- *Quality – Assessment and evaluation relating to progress made needs to be enhanced.*

Corporate Entities (Circular 5)

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – The municipality does not have entities.*

PPP's (Circular 5)

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – The municipality did not enter into any PPP's.*

Long Term Contracts

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – Information required for this return is provided sufficiently.*

Internal audit and audit committees

-  The municipality has established the **internal audit** unit and is sharing Audit Committee with Bojanala District Municipality.

Risk Plans

The municipality has not performed risk assessment for the 2012-13 financial year.

Implementation of Supply Chain Management

Preferential policy objectives identified to be met through each contract.

- + threshold values contained in the SCM Policy aligned with the values stipulated in regulation
- + Records are kept for the following;
 - Written or verbal quotations received and awards made.
 - Tenders and all other bids received and awards made.
 - Petty Cash purchases

Supply Chain Management Unit has been established and relevant statutory reports are currently compiled.

- + The entire three bid committees have established, are functional but there is lack of capacity.

Tabling of Section 71 Reports in Council

- + Monthly 71 reports are tabled Council

Treasury Guidelines (Gazette dated 9 April 2001)

- + Treasury Guidelines relating to financial management, and budget preparation & implementation are adhered to and this has been included in the budget policy.

Performance agreements

- + Performance agreement was entered into between the Mayor and the Accounting Officer for 2013/14 financial year.
- + Performance agreements were developed and entered into for 2013/14 financial year, and signed by all Section 57 managers.

GRAP Implementation

- + The municipality's financial statements are prepared in accordance with GRAP standards although the AG has issued disclaimer of audit opinion for the three consecutive years. The management has developed an action plan to deal with matters raised in the Auditor General Report.
- + The technical assistance of Provincial Treasury also contributed positively towards the municipality's endeavour to improve the audit opinion and the overall financial administration
- + GRAP compliant Asset Register was prepared by TMDG through assistance from Bojanala Platinum District Municipality.

CHAPTER 10: RESOLUTIONS

It is recommended;

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the draft annual budget of the municipality for the financial year 2014/15; and indicative allocations for the two projected outer years 2015/16 and 2016/17; and the multi-year and single year capital appropriations be approved as set-out in the following tables:
 - 1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.4. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be adopted as set-out in the following tables:
 - 2.1. Budgeted Financial Position;
 - 2.2. Budgeted Cash Flows;
 - 2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 2.4. Asset management; and
 - 2.5. Basic service delivery measurement.
3. That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates that were used to prepare the estimates of revenue by source, be approved with effect from 1 July 2013.
4. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out **Chapter 5** be approved.

5. Community consultation take place to solicit comments of the public on the draft budget.

CHAPTER 11: DETAIL BUDGETS PER DEPARTMENT

The detailed draft annual budget for the financial year 2014/15; and indicative allocations for the two projected outer years 2015/16 and 2015/16; are as set-out in the Tables 1 to Table 10



**COMPILED BY:
BUDGET AND TREASURY OFFICE**

For Enquiries, contact;

THABO BEN MOTHOGOANE

CHIEF FINANCIAL OFFICER

(014) 543 2004

mothogoaneb@kgetlengrivier.gov.za